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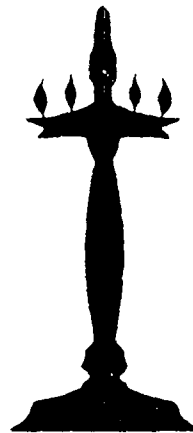
For Kovilpatti Lakshmi Roller

Flour Mills Ltd.,

V. N. Jayaraman

(V.N. JAYARAMAN)

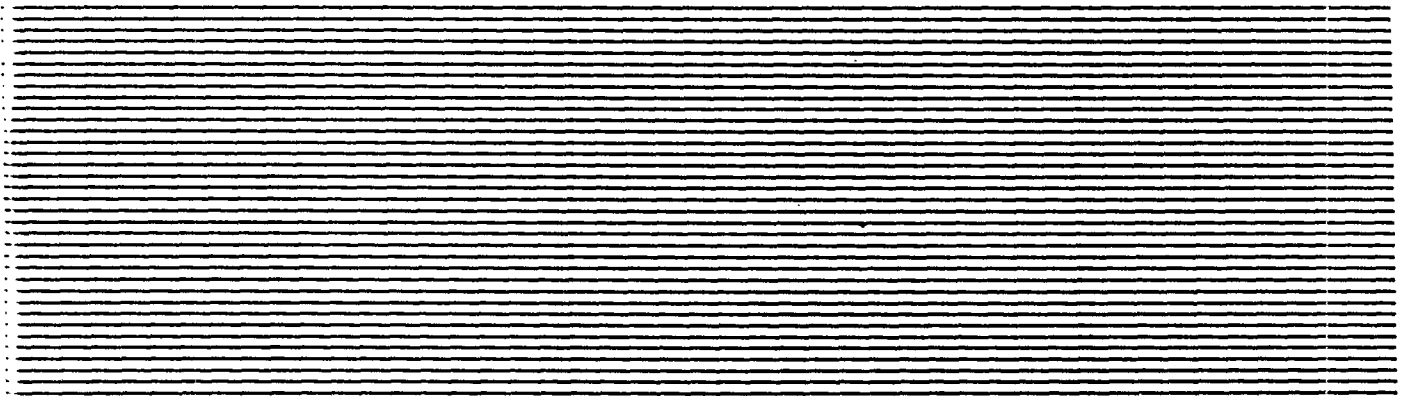
EXECUTIVE DIRECTOR



1997

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Annual Report



Kovilpatti Lakshmi Roller Flour Mills Limited

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Kovilpatti Lakshmi Roller Flour Mills Limited

Board of Directors

V. JAGANNATHAN
Chairman
K. SELVARAJ
N.V. SRINIVASAN
J. CHANDRAKANTHI
Managing Director
SURESH JAGANNATHAN
Joint Managing Director
V.N. JAYAPRAKASAM
Executive Director
SUDARSANVARADARAJ
M. MOHAMED HAMSA
 IFCI Nominee

Auditor

P. Marimuthu, B.Com., F.C.A.
 Chartered Accountant, Tirunelveli

Bankers

Canara Bank
 ANZ Grindlays Bank Plc.

Registered Office

Gangaikondan - 627 352

Administrative Office

1054/21, Avanashi Road
 Coimbatore - 641 018

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Flour Mill & Textile Division - I
 Gangaikondan - 627 352

Sheet Metal Division
 Perianaickenpalayam
 Coimbatore - 641 020

Textile Division - II
 N. Subbiahpuram - 626 205

Kovilpatti Lakshmi Roller Flour Mills Limited**NOTICE**

Notice is hereby given that the Thirtyfifth Annual General Meeting of the Company will be held on Thursday the 25th September, 1997 at 9.30 a.m., at the Company's Registered Office at Gangaikondan, Nellore Kattabomman District to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Profit and Loss account for the year ended 31st March, 1997 the Balance Sheet as at that date and the report of the Directors and Auditor.
2. To declare a dividend.
3. To appoint a Director in the place of Sri. N.V. Srinivasan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Sri. Sudarsan Varadaraj who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditor and fix his remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"Resolved that pursuant to Section 228 (3) of the Companies Act, 1956 Sri. C.N. Srivatsan, Chartered Accountant be and is hereby appointed as Branch Auditor of the Company to hold office upto the conclusion of the next Annual General Meeting to audit the books of accounts of the Sheet Metal Division for the financial year 1997-98 on such remuneration as may be determined by the Managing Director."

EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956**Item No. 6**

As per Sec. 228 (3) of the Companies Act, 1956, Branch Auditors are required to be appointed at the general meetings. Accordingly, Auditors are being appointed at every annual general meeting for the respective financial year to audit the accounts of Sheet Metal Division of our Company.

The proposed resolution set out in Item No. 6 of the notice seeks the authorisation of the members to appoint Auditors for the year 1997-98.

None of the directors is in anyway concerned or interested in this resolution.

Date : 2nd June, 1997
Place : Gangaikondan

By order of the Board
V. JAGANNATHAN
Chairman

Kovilpatti Lakshmi Roller Flour Mills Limited**NOTES :**

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy, such proxy need not be a member of the Company.
2. The Register of members and share transfer books of the Company will remain closed from 16th to 25th September, 1997 (both days inclusive).
3. Shareholders are requested to address their correspondence with the Company, mentioning the folio number to facilitate immediate response.
4. Members are requested to intimate their Bank Account Number, Branch details for incorporating the same in Dividend Warrants to the Company quoting their respective folio numbers.
5. Pursuant to Section 205 - A of the Companies Act, 1956, unclaimed dividends upto and including for the financial year 1991-92 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants relating to financial year(s) upto 1991-92 may claim the same from the Registrar of Companies, No. 26, Haddows Road, Chennai - 600 006, in the prescribed form which will be supplied by the Company on request.
6. **Members who are holding shares in more than one folio are requested to write to the Company immediately enclosing their share certificate(s) for consolidation of their holdings in one folio.**

The logo for Report Junction, featuring the word "Report" in a light blue font, a yellow diamond shape with a black outline, and the word "junction.com" in a light green font, all enclosed within a rounded rectangular border.

Kovilpatti Lakshmi Roller Flour Mills Limited**REPORT OF THE DIRECTORS**

Dear Shareholders,

The Directors are pleased to present their Thirtyfifth Annual Report together with the audited statement of accounts for year ended 31st March, 1997.

FINANCIAL RESULTS

31.03.1997 31.03.1996
(Rs. in Lakhs)

Profit before financial charges and depreciation	717.88	488.00
Less : Financial charges	287.61	260.12
Profit before depreciation	430.27	227.88
Less : Depreciation	199.87	180.66
Net Profit before taxes	230.40	47.22
Less : Provision for taxes	29.72	—
Net profit after taxes	200.68	47.22
Provisions no longer required	—	38.40
Transfer from investment allowance reserve	5.78	32.37
Transfer from debenture redemption reserve	90.00	—
Balance profit from previous year	72.24	54.39
Profit available for appropriation	368.70	172.38
Appropriations		
Proposed Dividend	39.12	36.64
Provision for Dividend Tax	3.91	—
Transfer to General Reserve	251.10	5.00
Debenture Redemption Reserve	—	58.50
Balance to be carried forward	74.57	72.24
	<u>368.70</u>	<u>172.38</u>

REVIEW OF OPERATIONS :**Economic Scenario**

The inflation registered an increase from 4.27% to 6.99% despite the various measures taken by RBI to contain the rate of inflation.

Kovilpatti Lakshmi Roller Flour Mills Limited

RBI has further liberalised the credit policy and reduced the interest rates with a view to increasing the liquidity. However response from banks have been slow in providing the necessary additional funds required by industries to sustain industrial production. It is hoped that the credit policy for the slack season announced on 16th April '97 will be speedily implemented with faster credit delivery to sustain industrial growth and improving the GDP.

In this context a review of the current RBI policy in regulating or managing credit is appropriate and relevant in so far as the current monetary and credit policy seeks to achieve :

- Price stability with moderate increase in inflation by regulating money supply.
- Expanding lendable resources of banks, at the same time bringing about a reduction in interest rates. For this purpose RBI rate has been reduced from 12% to 11% and CRR have been lowered at different points of time last year and CRR was withdrawn on inter bank balances.
- Revamping of credit delivery system to ensure speedier flow of credit from banks to industry - RBI has already granted full freedom to banks to adopt their own methods and consortium arrangements are also dispensed with.
- Strengthening/improving the functioning of money market, government security market and the foreign exchange market.

All the above measures cover a wide range touching all parts of the financial system and is expected to clear the way for sustaining a higher rate of growth, combating inflation and removing "Chokes" in the flow of credit to the right segments.

Measures to re-vitalise the debt market and capital market are yet to yield the desired results. Attempts to remove constraints on infrastructure, especially power and transport are yet to gain momentum. Consequently the increase in GDP is bound to be a slow process.

The year saw two budgets. The first one for 96-97 had no positive measures to revive and sustain industrial and agricultural production. On the other hand the introduction of minimum alternate tax with no relief for exports have had a dampening effect on the industry and exports in particular. The finance bill for 1997-98, has provided for exemption of Export profit and for set off of MAT against regular tax payable in future.

RESULTS

The Company earned a record pre-tax profit of Rs. 230.40 lakhs with all the divisions contributing to the profits. The turnover was higher at Rs. 73.20 crores, registering an increase of 16%.

Flour Mill operations continued to be satisfactory with increased turnover and profit despite high operating costs and irregular supply position of wheat. Textile Division posted better profits during the year. Sheet Metal Division was able to establish machine building for export, and operations were satisfactory in spite of cut back on schedules due to a recession in the Textile Machinery Industry. During the year one more Wind Mill was installed.

Kovilpatti Lakshmi Roller Flour Mills Limited**OUTLOOK FOR THE YEAR**

With anticipated increased agricultural production and liberalised economic, industrial and credit policies and a stable government, it is hoped that operations would continue to be satisfactory.

However, the expected lowering of interest rates may not be of much consequence if bankers continue to be rigid - if past experience is any guide-in as much as greater liquidity did not result in increased credit availability to industry. Therefore it is to be seen whether there will be increased and faster flow of credit to the industry under the modified credit appraisal and disbursement procedures.

FINANCE

We have been forced to operate with inadequate limits during the year. IFCI have sanctioned an assistance for two Wind Mills and certain equipments for the Flour Mill, Textile and Engineering Division.

SHARE CAPITAL

The Company has increased the issued and subscribed capital from Rs. 188.3 lakhs to Rs. 250 lakhs. 616950 shares have been issued on a private placement basis to promoters at a premium of Rs.16 per share as per the approval given by shareholders on 12th March, 1997.

DIVIDEND

Your Directors are pleased to recommend a dividend of 20% which is tax-exempt in the hands of shareholders.

FIXED DEPOSITS

The Company continued to accept fixed deposits during the year and there were no unclaimed deposits as on 31.3.97.

GENERAL

Particulars as per Section 217 (2A) of the Companies (Particulars of Employees) Rules, 1975 are attached to the report. A statement giving details of conservation of energy, technology absorption, exports, foreign exchange earnings and outgo in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed.

During the year under review, industrial relations at all divisions of the Company remained cordial.

Mr. P.Marimuthu, B.Com., F.C.A., Chartered Accountant will retire at the annual general meeting and is eligible for re-appointment.

Kovilpatti Lakshmi Roller Flour Mills Limited

Your Directors acknowledge with gratitude the co-operation and assistance of ANZ Grindlays Bank, Canara Bank, Canbank Mutual Fund, Housing Development Finance Corporation Ltd., ICICI, IDBI, IFCI, IIBI, LIC, GIC and its subsidiaries, SIPCOT and TILC.

The Directors would like to thank all employees, shareholders, deposit holders and customers for their active support.

May the almighty Goddess Lakshmi continue to shower upon the Company Her choicest blessings and grant us prosperity in the years to come.

Date : 2nd June, 1997

Place : Gangaikondan

By order of the Board

V. JAGANNATHAN

Chairman

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